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A Brief Summary of Economic Conditions

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A NEW CROP SEASON is under way and farm employment has begun to rise seasonally in the South. Prospects are that acreages ' most crops the country over will be held to about 1938 figures, but ıe basis has been laid for expansion in the livestock industries. * * * ınuary 1 inventory showed an increase in numbers of cattle, sheep, ɔgs, milk cows, and chickens on farms this year compared with last. ivestock inventory value totaled more than 4.8 billion dollars, largest nce 1936. Meanwhile, little of the 1938 crops remains in the hands of rmers, the bulk has been marketed or placed under Government an. * * * Farmers began the new year with slightly higher cash come than in January 1938—total 627 million dollars from marketings us Government payments, compared with 620 million a year ago. ıcome from major crops may decline more than seasonally in next w months, increases are expected from fruits, vegetables, and liveock products. * * * Domestic demand for farm products, better is winter than last, is expected to improve more in spring.

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Commodity Reviews

DEMAND: Spring Rise

THE movement of prices of farm products in relation to changes in supplies since the first of the year indicates that the upswing in demand which started last summer has been temporarily halted. Additional evidence is found in the fact that factory employment and pay rolls declined in January, the last month for which data are available. This slackening in demand was to be expected in connection with the slight slowing down of industrial activity since December.

The normal pick-up in building construction, automobiles, and many other lines which occurs in the spring probably will be accentuated this year by favorable conditions in several of these industries, and the total volume of industrial pay rolls is expected to show further increases from the low point reached last summer. After allowing for the usual seasonal tendencies, however, these prospective changes in demand are not pronounced. The outlook still is for relatively stable domestic demand conditions this year.

Conditions relating to the foreign demand for American farm products remain generally unfavorable, with continued low commodity prices acting as a hindrance to international trade in finished industrial goods and raw materials. The pound sterling held fairly steady at about $4.67 during January, under active support by the British Government, and has changed little during the first weeks of February.

INCOME: Seasonal Decline

Farm income declined seasonally in January. Income totaled $586,000,000 from sales of farm products plus $41,000,000 in Government payments. December income was $613,000,000 plus $39,000,000. Income in January a year ago was $603,000,000 plus $17,000,000. In January 2 years ago it was $638,000,000 plus $43,000,000.

Income from crops declined less than seasonally this January, chiefly because a larger quantity of corn was placed under loan and the loan proceeds are treated as income. In January, more than 94 million bushels of corn were placed under loan.

Income from other grains, cotton, cotton lint, and fruits also declined less than the usual seasonal amount, but income from tobacco, potatoes, and truck crops declined more.

Income from livestock and livestock products continued the downward trend of recent months, due largely to greater-than-seasonal declines in income from dairy products and poultry and eggs.

Loans on cotton, wheat, and corn have helped to maintain farm income in recent months, and reduced the proportion of these crops to be marketed in the next few months. But the effect of this upon income during this period may be offset by increasing income from fruits, vegetables, and livestock products.

Government payments in the first half of 1939 may exceed the $257,000,000 paid out from January to June 1938.

PRICES: Down

Farm products prices averaged 92 percent of pre-war in mid-February, compared with 94 a month earlier, and with 97 on February 15, 1938.

Groups of commodities which declined in price during the last month of record included cotton and cottonseed, dairy products, and chickens and eggs. Prices received by farmers for fruit and for meat animals increased slightly.

The index of grain prices was unchanged during the month, but at 66 percent of pre-war it was 23 points lower than on February 15, 1938.

The ratio of prices received to prices paid in February (all products included in the index) was 77 percent of pre-war.

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products[1]
1938			
February	97	126	77
March	96	125	77
April	94	125	75
May	92	125	74
June	92	124	74
July	95	123	77
August	92	122	75
September	95	121	79
October	95	121	79
November	94	121	78
December	96	120	80
1939			
January	94	120	78
February	92	120	77

[1] Ratio of prices received to prices paid.

EMPLOYMENT: Increase

Employment on farms as of February 1 totaled 8,914,000 farm family and hired workers. This was about 2 percent larger than on January 1, but slightly smaller than on February 1 last year. Ordinarily, total farm employment increases about 4 percent during January.

Farm operations usually are seasonally dull around the first of the year. Outside work begins in many Southern States soon after this date, and some increases in employment generally occur in other areas. Total farm employment in January 1939 increased in all areas except in the East South Central region where wet and stormy weather kept outside work almost at a standstill.

WHEAT: Stocks

Wheat stocks in the United States totaled 656 million bushels on January 1. This was 123 million more than at the beginning of 1938, and 284 million more than on January 1, 1937. Stocks of all classes of wheat except soft red winter were larger this January than last, and much larger than the small stocks on January 1, 1937.

The January 1 figures indicate domestic wheat disappearance for the July–December 1938 period totaled 382 million bushels, as compared with 386 million during the same months of 1937. Exports were 45 million bushels compared with 41 million in the like period of 1937. Assuming total disappearance for the full year at 700 million bushels plus exports of 100 million, the United States carry-over

Prices of Farm Products

Estimates of average prices received by producers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909–July 1914	February average, 1910–14	February 1938	January 1939	February 1939	Parity price, February 1939
Cotton, lb. ... cents	12.4	12.3	[1] 8.0	8.3	8.2	15.6
Corn, bu. ... do	64.2	60.1	51.7	45.1	43.9	80.9
Wheat, bu. ... do	88.4	89.2	86.6	57.1	56.9	111.4
Hay, ton ... dollars	11.87	12.02	8.71	6.79	6.78	14.96
Potatoes, bu. ... cents	69.7	66.3	[1] 54.2	64.4	64.6	8.54
Oats, bu. ... do	39.9	39.8	30.0	26.3	26.2	50.3
Soybeans, bu. ... do	(2)	(2)	92.5	71.9	68.9	----------
Peanuts, lb. ... do	4.8	4.9	3.4	3.4	3.4	6.0
Beef cattle, cwt. ... dollars	5.21	5.11	5.80	6.68	6.86	6.56
Hogs, cwt. ... do	7.22	7.12	7.74	6.96	7.21	9.10
Chickens, lb. ... cents	11.4	11.1	16.0	14.0	14.2	14.4
Eggs, doz. ... do	21.5	23.7	16.4	18.8	16.7	[3] 27.6
Butterfat, lb. ... do	26.3	27.4	30.5	25.2	24.9	[3] 33.8
Wool, lb. ... do	18.3	18.5	[3] 20.3	20.0	20.2	23.1
Veal calves, cwt. ... dollars	6.75	6.77	8.23	8.30	8.73	8.50
Lambs, cwt. ... do	5.87	5.95	6.63	7.33	7.37	7.40
Horses, each ... do	136.60	137.00	89.00	82.00	83.10	172.10

[1] Revised. [2] Prices not available. [3] Adjusted for seasonality.

of wheat on July 1 next will be about 285 million bushels. This would compare with 153 million bushels carry-over on July 1, 1938. It would be the largest carry-over since 1933.

Winter wheat acreage sown for harvest in 1939 in 10 countries for which reports have been received to date totals 118 million acres, compared with 127 million in 1938, and 130 million in 1937. Practically all of the reduction is in the United States. Canada and France report slight decreases, in the remaining 7 countries the acreage has been increased about 3 percent.

Wheat prices in domestic and foreign markets declined during the first 3 weeks of February, influenced by increased shipments from Argentina, a less tense political situation in Europe, and improved prospects for our winter wheat crop. The United States winter wheat crop was in fair to good condition in the eastern part of the Belt, and improved in the Southwest, especially from Oklahoma southward. Improvement was reported in eastern and north-central Kansas.

AAA announced on February 14 the rates of price adjustment payments to producers who plant within their 1939 wheat acreage allotments. Payments announced are 11 cents per bushel, to be made on the normal yield of each producer's allotted wheat acreage. Price adjustment payments plus conservation payments will total 28 cents per bushel.

COTTON: Exports Shrink

Most favorable factor in the cotton situation is the continued relatively high rate of consumption by domestic mills; unfavorable is the reduction in foreign purchases and consumption of American cotton. United States Government loan stocks exceed 11 million bales, or about two-thirds the total stocks of American cotton in all hands in the United States on February 1.

Domestic mill consumption of cotton in January was slightly less than trade expectations, but it was much larger than in the same month last year. Consumption during the first 6 months of the 1938–39 season totaled about 3.4 million bales, or about 10 percent more than in the like period of the preceding year.

Less satisfactory has been the foreign situation. From August 1 through February 27 the exports of American cotton totaled less than 2.5 million bales, compared with more than 4.3 million in the like period a year earlier. Foreign consumption of American cotton from August through January, however, was only 426,000 bales less than a year earlier.

Cotton consumption continues heavily curtailed by mills in England and Japan, sales of cotton textiles slackened in France during February, but in Italy mill activity increased and export trade expanded.

Prices of spot cotton have been quite stable since last October in the United States, but this has been due to the Government loan of 8.30 cents for Middling ⅞ inch cotton of the 1938 crop. Spot cotton has been selling at unusually high prices relative to prices of new crop futures contracts and relative to foreign growths; this has contributed to the unusually small exports in recent months. Exports of American cotton in January were the smallest for the month in 67 years.

LIVESTOCK: Inventory

A general tendency to expand production of meat animals and animal products is revealed by the January 1 inventory of livestock on farms. More cattle, sheep, hogs, milk cows, and chickens were on farms this January 1 than last. The number of work stock declined.

Cattle and calves: 66,821,000 head valued at $2,569,793,000 as compared with 66,083,000 head valued at $2,417,235,000 on January 1 a year ago. Cows and heifers (2 years old and over, kept for milk): 25,093,000 head valued at $1,397,280,000 compared with 24,834,000 head valued at $1,352,014,000 a year ago.

Sheep and lambs: 53,762,000 valued at $309,180,000 compared with 52,-

682,000 valued at $322,525,000 a year earlier. Hogs (including pigs): 49,011,000 head valued at $547,461,000 compared with 44,218,000 head valued at $498,070,000. Chickens: 412,647,000 chickens valued at $288,625,000 compared with 386,573,000 valued at $292,142,000.

The increase in cattle was largely in calves and yearling heifers. The number of hogs at the beginning of this year was the largest since 1934. The number of milk cows on farms during 1938 was practically the same as during 1937.

CATTLE: Reduced Slaughter

A decrease in cattle slaughter this year compared with last is indicated by reports that producers are tending to hold more than the usual number of breeding stock on farms to increase herds.

Steer slaughter is expected to show little change from 1938 figures, but the slaughter of cows and heifers is likely to be the smallest in 4 years. A part of the decrease in total slaughter will be offset by heavier average weights, and the total beef supply may be only slightly less than in 1938.

Marketings of grain-fed cattle are expected to increase more than seasonally this spring, reflecting the increase in feeding this winter compared with last. Corn Belt figures showed a 7 percent increase in number of cattle on feed for market this January 1 compared with last, partly offset by decreases in other important feeding areas.

The demand for meats strengthened from midsummer to early January, as a result of the increase in general business activity and in consumers' incomes, but apparently weakened slightly during February. It is expected that demand will be fairly well maintained during the next few months, and that it may improve further by summer.

Prices of slaughter cattle had advanced moderately during the last quarter of 1938, then declined slightly in early February, but remained well above prices a year earlier. Prices of stocker and feeder cattle in early February were the highest for that period in 9 years. The strong position of these cattle (prices rose sharply from November to February) reflects the favorable feed situation, the rather general tendency to rebuild herds, and the relatively high prices of finished cattle.

HOGS: Heavy Volume

The seasonal decline in slaughter supplies of hogs is about over, and last fall's pigs will soon be coming to market in heavy volume. Hog slaughter from April to September will be much larger than in the like period last year, reflecting chiefly the 18 percent increase in the 1938 fall pig crop. A large increase in the 1939 spring pig crop also is in prospect.

The consumer demand for meats will be much better this spring than last and it may improve more by summer. An increase in exports of pork and lard this year compared with last is also in prospect, notwithstanding that exports in 1938 were the largest in 4 years. Besides an increase in the available supply, the foreign outlet for hog products has been broadened by the trade agreement recently concluded between the United States and Great Britain.

Storage supplies of pork and hogs are additional factors in the situation. February 1 stocks of pork totaled 524 million pounds, about 30 million pounds less than on that date last year, and about 100 million less than the 1933–37 five-year average. Stocks of lard on February 1 totaled 132 million pounds, against 99 million on the same date last year, and 118 million the 5-year average.

Prices of hogs advanced moderately in early February as marketings were reduced seasonally (the slaughter, in fact, was 4 percent smaller than in January last year). Another feature was the widening of the spread between prices of light and heavy hogs in midwinter; nevertheless the spread was much narrower than that of a year ago.

winter than last, reflecting the stronger demand for meats and the smaller slaughter supplies of sheep and lambs. Marketings of fed lambs probably will continue smaller than a year earlier during the remainder of the current fed-lamb marketing season, and little change from present levels is expected in the consumer demand for meats.

Fairly favorable feed conditions are reported in the principal early lambing areas, but the development of early lambs has been retarded by the shortage of green feed in California and Texas, and marketings of early lambs from these States may be later than they were last year. The market movement of grass fat yearlings from Texas also may get under way later than usual this spring.

Prices of lambs held steady this winter. For the week ended February 11, the average of good and choice slaughter lambs at Chicago was about $8.80. In both early January and early December it was about $8.90. The steady prices in January were in marked contrast to the sharp decline in January a year ago.

BAE estimated in February that the total number of sheep and lambs on farms, including sheep and lambs on feed for market, January 1, was about 53.8 million head compared with 52.7 million a year earlier. The number of stock sheep on farms was the largest since 1934—48.1 million head, and about 3 percent more than at the beginning of 1938.

WOOL: Better Outlook

The 1939 outlook for ...

imports of wool.

United States imports of apparel wool for consumption totaled 31 million pounds in 1938 compared with 150 million in 1937 and a yearly average of 52 million for the 1932–36 period. January 1 supplies in the 5 principal exporting countries of the Southern Hemisphere were about 8 percent smaller than a year earlier, but stocks in most foreign importing countries, except Japan, were somewhat larger.

TRUCK CROPS: Acreage

Truck crop acreage for spring harvest (reported up to mid-February) was nearly 4 percent less than in 1938. Early cabbage was the only crop showing an increase in acreage, the area of early snap beans and early tomatoes was about the same as in 1938, but reductions of 500 to 9,000 acres were reported on plantings of second early cabbage and early carrots, celery, lettuce, onions, and spinach.

These reductions are offset in part by an increase of 2,150 acres in fall and winter vegetable acreage, but the combined total of acreage reported up to late February was more than 2 percent below the corresponding figures for 1938. The effect of these acreage changes should become apparent this month as harvesting and shipping get well under way.

Carlot shipments of truck crops were relatively stable during the first 6 weeks of 1939, and market prices in mid-February were higher than both a month and a year earlier, reflecting largely the improvement in ...

quick-freezing industry in the past 2 years. The net movement out of storage, however, is apparently keeping pace with the increased pack. From December 1 to February 1, the out-of-storage movement was 6.9 million pounds, compared with 3.9 million pounds in the like period a year earlier.

POTATOES: Price Decline

Increased marketings of both old and new potatoes forced prices to slightly lower levels in February, nevertheless prices of potatoes in all positions—at shipping points, warehouses, and terminal markets—were higher than in February a year ago. It was estimated in late February that only about 40,000 cars of old crop potatoes remained to be shipped.

February reports indicated a 5 percent decrease compared with 1938 in the acreage planted or to be planted to potatoes in the commercial early States. A decrease of 19 percent was indicated in acreage being harvested in the fall and winter areas of Florida and Texas, and a decrease of 25 percent in the first section of early States.

An increase of about 1 percent was indicated in planted acreage in the second section of early States, due largely to increases in California, Louisiana, and South Carolina. In the second early group of States a slight decrease in the intended acreage was reported.

Average yields on these prospective acreages would mean a somewhat smaller production this season than

million last year, and a 10-year average of 7 million.

Fruit prices declined slightly in terminal markets during February. Prices of apples in mid-February were lower than a month earlier, but considerably higher than in February a year ago. Citrus prices changed little in February. Prices of Florida strawberries declined seasonally.

Cold storage holdings of apples on February 1 totaled 20.6 million boxes, or 5.7 million less than a year earlier. The figures indicate that the out-of-storage movement in January was larger than usual.

DAIRYING: Active

Production of milk continues to exceed the figures for corresponding seasons in recent years, but consumption of all dairy products has been better this winter than last, and prices have been fairly well maintained. A support to prices of butter has been the open-market purchases of the Federal Surplus Commodities Corporation.

Production of milk in early February was about 6 percent larger than during the like period of 1938, and the largest on record except in the year 1933. The increase this winter compared with last has been the result of high production per cow and the milking of more cows.

Larger quantities of fluid milk and cream have been going to market this winter, and the production of manufactured products has been unusually heavy. Storage stocks of dairy products also are unusually large for this

LAMBS: Higher Priced

Lambs have been higher priced this winter than last, reflecting the stronger demand for meats and the smaller slaughter supplies of sheep and lambs. Marketings of fed lambs probably will continue smaller than a year earlier during the remainder of the current fed-lamb marketing season, and little change from present levels is expected in the consumer demand for meats.

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WOOL: Better Outlook

The 1939 outlook for wool is improved over 1938. Principal factors are a marked reduction in current domestic supplies of wool and the prospects that improvement in consumer demand will increase the mill consumption of wool in 1939 compared with 1938.

Domestic prices have advanced in recent months. Further gains would appear to depend upon a rise in foreign prices, but domestic prices cannot advance far without attracting larger imports of wool.

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These reductions are offset in part by an increase of 2,150 acres in fall and winter vegetable acreage, but the combined total of acreage reported up to late February was more than 2 percent below the corresponding figures for 1938. The effect of these acreage changes should become apparent this month as harvesting and shipping get well under way.

Carlot shipments of truck crops were relatively stable during the first 6 weeks of 1939, and market prices in mid-February were higher than both a month and a year earlier, reflecting largely the improvement in consumer demand this winter compared with last. In February, large quantities of fresh vegetables were moving from Florida by motortruck, probably because of the open weather in the Southeastern and Middle Atlantic States.

Cold storage holdings of quick-frozen vegetables on February 1 were twice the quantity on that date last year, and more than 5 times the stocks on February 1, 1937. This increase in

stocks reflects the rapid growth of the quick-freezing industry in the past 2 years. The net movement out of storage, however, is apparently keeping pace with the increased pack. From December 1 to February 1, the out-of-storage movement was 6.9 million pounds, compared with 3.9 million pounds in the like period a year earlier.

POTATOES: Price Decline

Increased marketings of both old and new potatoes forced prices to slightly lower levels in February, nevertheless prices of potatoes in all positions—at shipping points, warehouses, and terminal markets—were higher than in February a year ago. It was estimated in late February that only about 40,000 cars of old crop potatoes remained to be shipped.

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An increase of about 1 percent was indicated in planted acreage in the second section of early States, due largely to increases in California, Louisiana, and South Carolina. In the second early group of States a slight decrease in the intended acreage was reported.

Average yields on these prospective acreages would mean a somewhat smaller production this season than last in the four groups combined.

CITRUS: Estimates Raised

High record crops of oranges, lemons, and grapefruit are expected this season. Oranges: 81 million boxes, compared with 74 million last year, and a 1927–36 ten-year average of 50 million boxes. Grapefruit: 41 million boxes against 31 million last year, and a 10-year average of 17 million. Lemons: 11 million boxes, against 9 million last year, and a 10-year average of 7 million.

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DAIRYING: Active

Production of milk continues to exceed the figures for corresponding seasons in recent years, but consumption of all dairy products has been better this winter than last, and prices have been fairly well maintained. A support to prices of butter has been the open-market purchases of the Federal Surplus Commodities Corporation.

Production of milk in early February was about 6 percent larger than during the like period of 1938, and the largest on record except in the year 1933. The increase this winter compared with last has been the result of high production per cow and the milking of more cows.

Larger quantities of fluid milk and cream have been going to market this winter, and the production of manufactured products has been unusually heavy. Storage stocks of dairy products also are unusually large for this season of the year, but a large part of the stocks of butter is in the hands of governmental agencies.

Apparent consumption of manufactured dairy products in December was 15 percent larger than a year earlier. This is a high level of consumption as compared with other recent years, but not especially so in relation to the heavy production and large storage stocks. A considerable part of the increase in apparent consumption this winter has been in the

distribution of butter and evaporated milk to persons on relief.

Both production and consumption of dairy products is expected to be maintained at high levels during the next few months.

POULTRY: Flocks Culled

Farm poultry flocks were culled more heavily this winter than last, but there were 5 percent more layers remaining in flocks on February 1 as compared with a year earlier. Largest reductions in flocks this January were in Atlantic and Far Western States. In January a year ago there was an increase in number of layers.

Production of eggs per hen was less on February 1 this year than last, but this was more than offset by the larger number of layers. Layings per farm flock averaged 3 percent more this February 1 than last and 21 percent more than the 10-year (1928–37) February average.

Egg prices steadied following the sharp break in January, and the February 15 average to farmers was 16.7 cents. This compared with 16.4 cents on February 15 last year. Live poultry were lower priced in late January but boxed poultry prices were holding relatively steady.

A feature of the poultry situation is the larger market supplies of winter broilers this season compared with last. Storage stocks of poultry also are larger than at this time last year, totaling 134.5 million pounds on February 1 compared with 115.1 million on the same date last year.

Exports, Imports

United States foreign trade in agricultural products was a confused picture in January. Exports of pork products, wheat, and apples were larger than in January a year ago, but exports of pears, tobacco, and cotton were sharply lower. Exports of wheat, apples, and pears were larger than the 1924–29 January average.

Imports of sugar—the largest item in point of total value—were only a third of the quantity imported in January a year ago. Seventy-one thousand tons came in this January, compared with 217 thousand tons in January last year. Other import items, except malt, increased.

Measures of Domestic Demand

[1924–29=100]

	January				Percent change		
	1929	1933	1938	1939	1938–39	1933–39	1929–39
National income	104.4	60.0	89.2	90.3	+1	+50	−14
Nonagricultural income:							
Total	104.7	63.3	91.2	92.3	+1	+46	−12
Per capita	100.7	58.8	81.0	81.5	+1	+39	−19
Factory payrolls:							
Total	105.0	40.8	75.9	84.2	+11	+106	−20
Per employed wage earner	101.3	63.2	84.8	92.5	+9	+46	−9
Industrial production:							
Total	111.4	60.9	74.9	94.6	+26	+55	−15
Factories processing farm products	107.8	90.9	86.2	106.5	+24	+17	−1
Other factory production	114.1	44.9	65.3	88.2	+35	+96	−23
Construction activity:							
Contracts awarded, total	99.2	18.2	43.0	71.1	+65	+291	−28
Contracts awarded, residential	86.9	7.2	23.3	48.4	+108	+572	−44
Employment in production of building materials	96.5	34.5	58.3	61.5	+5	+78	−36
Cost of living:							
Food	98.9	60.3	77.3	74.6	−3	+24	−25
"All other items"	98.4	82.5	86.2	85.8	(1)	+4	−13
Purchasing power of nonagricultural income per capita:							
For food	101.8	97.5	104.8	109.2	+4	+12	+7
For "All other items"	102.3	71.3	94.0	95.0	+1	+33	−7

[1] Less than ½ of 1 percent.

NOTE.—All indexes adjusted for seasonal variation except "Cost of Living."

Effects of Trucking on Freight Rates

[Farmers are interested in the discussions now taking place in Congress and elsewhere with a view of formulating a national transportation policy. The central feature of many recent proposals is coordinated regulation of all agencies with increased power in the Interstate Commerce Commission to set a bottom to rates. The possibilities of such a revision in policy raise questions of great importance to farm groups.

Would such minimum rate regulation destroy the degree of flexibility in rates on some traffic resulting in part from truck competition during the years since 1929? Would "stabilized rates" mean a higher level of rates on short-haul traffic? If so, would this result in increased prices of farm supplies and higher transport charges for farmers close to consuming and distributing markets? On the other hand, would it, by producing more revenue for the railroads on short-haul traffic, lessen the pressure upon them to maintain or increase rates on long-haul traffic?

Widespread discussion of the implications of such a change in our national transport policy is desirable. One of the focal points of any such discussion is the proper place of truck transport in our transportation network. This article discusses the impact of trucking upon rail rates.]

SIGNIFICANT dynamic influences in recent years have exerted much pressure upon the railroads to adjust the level and structure of freight rates in the United States. Among these are the lower levels of aggregate traffic since 1929 resulting from depressed business activity and the relatively low levels of imports and exports, increasing competition for traffic from other agencies of transport, increasing decentralization of industry, growing competition of substitutes for leading items of traffic, such as electric power for coal, changing distribution methods, and other technological changes. While great difficulties stand in the way of measuring the precise effects of each of these factors, evidence abounds that the competition of motor trucks has accounted for certain significant tendencies toward change in the level and structure of freight rates, especially in the last decade.

Recent estimates of trends in the distribution of domestic traffic in this country and statistical studies measuring diversion of particular items of traffic from the railroads to other agencies indicate that the railroads are confronted with vigorous competition from trucks on an ever-widening front and that the share of the total domestic traffic handled by the railroads has been declining significantly. On the other hand, the proportions of the total traffic of the trucks, pipe lines, and water carriers have materially increased since 1926. This is shown by the following table:

Distribution of Total Intercity Freight Traffic Handled by Various Transportation Agencies, 1926, 1929, 1932, and 1937

Agency	Percentage of total ton-miles			
	1926	1929	1932	1937
	A. All traffic			
	Percent	*Percent*	*Percent*	*Percent*
Steam railroads	75.4	72.9	73.9	64.6
Intercity trucks	3.9	4.2	9.4	7.7
Great Lakes	15.2	15.8	7.8	16.6
Other inland waterways	1.6	1.4	2.5	3.0
Pipe lines	3.7	5.2	6.2	8.0
Electric railways and airways	.2	.5	.2	.1
Total	100.0	100.0	100.0	100.0
	B. Railway, highway, and inland waterway (other than Great Lakes) traffic			
Steam railroads	93.2	92.8	86.1	85.8
Intercity trucks	4.8	5.4	11.0	10.2
Other (than Great Lakes) inland waterways	2.0	1.8	2.9	4.0
Total	100.0	100.0	100.0	100.0

Sources: 1926 and 1937—*Report of Committee to the President of the United States*, December 23, 1938, p. 44.
1929—*Coordination of Motor Transportation*, 182 I. C. C. 263, p. 403.
1932—*Regulation of Transportation Agencies*, Federal Coordinator of Transportation, Senate Document No. 152, 73d Congress, 2d Session, p. 3.

THE slight rise in the railways' share between 1929 and 1932 may be due to the great decline in traffic on the Great Lakes as a result of the larger decrease in production of heavy basic commodities, especially iron ore, which furnish the principal portion of the Great Lakes traffic. The lower part of the table excludes this traffic and that of pipe lines because of its largely noncompetitive character and the volume by electric railway and airway because of its negligibility. The remaining comparisons show that the railroads' share of the residual traffic has been declining significantly since 1926. The proportion of the traffic hauled by the intercity trucks, although much higher in 1937 than in 1926 or 1929, has apparently declined slightly since 1932. However, it should be noted that the figures for intercity trucks are based on very rough estimates. Therefore, until more adequate data become available, the apparent slight decline of the trucks is questionable.

The ton-miles accounted for by the trucks may understate their real importance because their average rate per ton-mile is apparently higher than for the railroads. This may be explained by their shorter average hauls and the higher grade traffic they typically transport. Moreover, the trucks have been much more effective in the competition for some commodities than for others. The railroads have lost significant portions of the following traffic to the trucks: Fat livestock, especially hogs and cattle and calves, cotton, most fruits and vegetables, milk, butter, poultry and eggs, baled hay and straw, sugar, sugar beets, canned goods, dry goods, boots and shoes, cigarettes and cigars, beverages, household goods, fertilizers, automobiles, automobile tires, and gasoline. Considerable short-haul truck movement of heavy commodities, such as coal, lumber, sand and gravel, and building materials has also developed.

IN a study published recently by the Bureau of Statistics, Interstate Commerce Commission, it is estimated that, as compared with 1928, the loss of freight traffic by the rails in 1937 on account of transport competition, relocation of industry or other economic changes not affecting the volume of production was 182 million tons. The revenue loss attributable to this tonnage has been estimated at approximately 523 million dollars. This does not take into account the revenue lost by rate reductions on traffic retained by the rails which is estimated as anywhere between 254 and 526 million dollars additional.[1]

The traffic and revenue losses from competition, along with lower levels of traffic due to the depression and other factors, have prodded the railroads to attempt an adjustment of their rates and service to recapture lost traffic and to hold existing traffic. The Interstate Commerce Commission has recently stressed the fact that the nature of the railroad rate structure has provided opportunities for truck competitors.[2] Owing to the consideration given to the value of the service principle by the railroads and the Commission in the past, a disproportionate rate burden with respect to unit costs of service has frequently been placed on commodities of relatively high value and on short-haul traffic. To the extent that resulting rates were above the cost of truck service, the trucks have found it profitable to divert high-rated and short-haul traffic from the railroads by offering lower rates or better service, or both. Moreover, with improved highways and increased efficiency of operation, the trucks are handling a considerable volume of long-haul traffic and even low-rated basic commodities, formerly regarded as not suitable for truck carriage.

WHILE difficulties of measuring the influences of other factors and

[1] *Fluctuations in Railway Freight Traffic Compared with Production*, Class I Steam Railways, 1928-37, Statement No. 3867, Washington, D. C.

[2] *52d Annual Report*, November 1, 1938, Washington, p. 19.

lack of data relating to truck rates and rail rate histories make generalization precarious, certain tendencies toward change in the rail rate structure resulting from truck competition are evident. Over the period of a decade or more, among others are: (1) Declining rates on many items of traffic susceptible to movement by truck; (2) relatively stable, or in some cases even higher, rates on commodities which are little affected by truck competition; and (3) a slightly lower rate level in the aggregate, at least until the recent general and selective increases authorized by the Interstate Commerce Commission. The first tendency is clearly evident, but the other two must be stated tentatively in the absence of comprehensive factual studies.

NOTABLE examples of commodities whose rail rates have voluntarily been cut in response to truck competition are cotton, citrus fruits (especially from Florida to the East), apples, California raisins, dairy products from Wisconsin and Iowa, hogs, automobiles, gasoline, canned goods and groceries, sugar, drugs and chemicals, cigarettes, rayon yarn, dry goods, clothing, boots and shoes, fertilizers, anthracite coal, and sand, gravel, crushed stone and slag. Cotton provides one of the best examples of the rate responses of the railroads to vigorous truck competition. Railroads serving the Texas ports instituted reductions in 1928, but the first reductions in the South occurred mainly in August and September 1930. Based upon 1913 as 100 the Bureau of Agricultural Economics' index numbers for cotton rates dropped from 163 in 1929 to 159 in 1930, 139 in 1931, 106 in 1932, and 95 for 1933 and 1934. Subsequently, the trend was reversed, the index reaching 101 in 1937. As a result of the earlier slashes the railroads regained much of the diverted cotton traffic, although recent increases may again cause significant losses.

Lack of vigorous truck competition may be a significant factor in explaining the relative stability of rail rates on such commodities as stocker and feeder cattle and sheep, wheat and grains, berries, peaches, cantaloups, cabbage, tomatoes, white potatoes and other fresh vegetables, tobacco, lumber, furniture, bituminous coal, building stones, salt, cement, ores, and other products moving long distances or in bulk. This does not mean that truck competition may not have been vigorous for these commodities on particular hauls or that the rates for these hauls may not have been reduced as a result. It is possible that the Interstate Commerce Commission in granting temporary selective increases in 1931 and 1935 had in mind the fact that many commodities on which increases were allowed were not especially vulnerable from the standpoint of truck competition.

Whether the various truck-compelled rate reductions have resulted in lowering the rate level in the aggregate is not clearly known. The average revenue per ton-mile was 1.088 cents in 1929. It had fallen to 0.945 cents in 1937, a decline of slightly over 13 percent. This seems to point to a reduction in the rate level. However, the average haul has increased somewhat because of loss of short-haul traffic. Likewise, the rails have lost high-rated traffic to the trucks. A portion of the decline registered is undoubtedly due to these factors. Nevertheless, it is possible that the rate level on all commodities fell somewhat as a result of truck competition, at least until the general increases were authorized in March 1938, by the Interstate Commerce Commission. These amounted to 10 percent on industrial commodities and 5 percent on farm products and lumber, with some exceptions.

SUCH changes in the rate structure present vital questions for the farmer. Lower rates frequently enable farmers to buy supplies at lower prices. Lower rates on farm products may mean higher farm prices under certain

conditions of demand, or lower prices to consumers and a larger volume of consumption. Reductions in rates on commodities moving long distances by rail just sufficient to offset lower trucked-compelled rates on these commodities when produced nearer common markets tend to maintain the existing distribution of production by regions.

At the same time the diversion of high-rated and short-haul traffic to the trucks, as well as lower traffic volumes due to depressed business activity and other factors, has prompted the railroads to seek to avoid further revenue losses or to recoup losses in revenue by maintaining, or even raising, their rates. The tendency has been to maintain or increase rates on long-haul, heavy, or low-rated tonnage not readily susceptible to truck competition.

The assumption was commonly held in the past that the policy of making rates relatively high on short hauls and valuable commodities, where the traffic could bear such rates, would be beneficial to the railroads, shippers not favorably located with respect to markets, and to the general public. However, this policy appears to have been a boomerang to the railroads and to some extent to the shippers more or less tied to the rails. As it worked out this policy invited truck competition.

THE implications of the policy of the railroads to maintain or increase rates, at times despite general price deflation, on traffic believed not susceptible to diversion or destruction apparently are not full understood. Unless this policy is altered, increasing diversion of long-haul and heavy traffic to other means of transportation is likely. Sources of traffic may disappear where shifting to other agencies of transport is not possible, unless farmers can increase their efficiency of production to offset higher rates. This is also true even when the long-haul rates are kept stable in face of declining transport costs for competing shippers nearer markets. If producing areas develop closer to large consuming centers, the ton-mile volume of traffic in farm products will tend to decline. Whether or not such prospect is viewed with misgivings, it would profoundly affect the economic life of many producing and distributing areas, favorably or adversely as the case may be.

JAMES C. NELSON.

One Hundred Agricultural Industries

WHILE agriculture is commonly regarded as a single industry, there are more than 100 separate commodities, all more or less competitive, each having its economic problems. Public attention centers upon the great cotton, corn and wheat industries. To hundreds of thousands of producers, other products are more important. All are affected by the same broad underlying economic forces but each in differing degree, influenced by the special conditions which may affect individual commodities.

The cash income from all crops combined was $3,160,025,000 in 1938 as compared with $3,845,614,000 in 1937. But within these figures were several industries which had the largest cash income in several years. The cash income from corn (a major crop) was $271,659,000 in 1938 compared with $221,757,000 in 1937. The 1938 figure was the largest since 1930. Principal reasons for the increase in 1938 were the marked increase in sales and the quantity of corn placed under Government loan. The loan proceeds are included in the estimates of income.

Peanuts were another crop showing larger income in 1938 compared with 1937. The $39,951,000 of income received by producers in 1938 was the largest in several years. The 1937 income was $36,295,000. Principal reasons for the increase in 1938 were increased sales of peanuts and rela-

tively stable prices when compared with 1937.

Soybeans are rapidly increasing in importance as a contributor to farm income and in 1938 yielded a cash income of $31,933,000. This compared with $28,030,000 in 1937. The 1938 income from soybeans was the largest on Government record. The increase in 1938 over 1937 was due principally to the marked increase in output more than offsetting lower prices.

The 1938 cash income from clover seed (red and alsike) totaled $15,664,000 in 1938 compared with $9,862,000 in 1937. Lespedeza seed yielded $5,363,000 of cash income in 1938 compared with $4,757,000 in 1937. The producers of maple sugar and sirup had a cash income of $4,281,000 in 1938 compared with $3,808,000 in 1937, and the growers of sweet sorghum for forage received $2,760,000 compared with $2,112,000 in 1937.

C. M. PURVES.

Lending Agencies Reduce Farm Holdings

FARM *real estate holdings of five* groups of leading lending agencies decreased about 3 percent during 1937. This was the first decrease to be shown for any year since before 1929. Total investment in such acquired farm real estate, however, still exceeds $1,000,000,000. The decrease in farm real estate holdings by these groups reflects a lower rate of foreclosures, as compared with a year earlier, and active sales of previously acquired farms.

Total investment in farm real estate of the five groups of lenders amounted to $1,027,626,000 as of January 1, 1938. About two-thirds of the total was represented by land holdings in the West North Central States. The following table shows a geographic distribution of such holdings at the beginning of 1937 and 1938

The *farms held by these lending* agencies total about 28,000,000 acres. The disposal of these farm lands can be an important factor tending to influence the future trend of land values depending on how and when the farms are sold. At the same time, as this land moves back into the hands of individuals, the mortgage credit necessary to finance the transfers will tend to increase the total farm-mortgage debt.

Farm real estate holdings of these lending groups increased rapidly during the depression years following 1929, the largest annual increase taking place in 1933. With the inauguration of the refinancing program of the Farm Credit Administration and with the improvement in farm income, the amount of annual increase in such

Investment in Acquired Real Estate by 5 Groups [1] of Lending Agencies, in Each Geographic Division, Jan. 1, 1937 and 1938

Geographic division	1937	1938	Increase or decrease during 1937	Percentage of total in each geographic division, 1938
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*Percent*
New England	5,252	4,904	−348	.5
Middle Atlantic	13,017	11,316	−1,701	1.1
East North Central	135,276	122,980	−12,296	12.0
West North Central	643,464	667,011	+23,547	64.9
South Atlantic	42,573	33,551	−9,022	3.2
East South Central	47,883	34,603	−13,280	3.4
West South Central	92,986	81,835	−11,151	8.0
Mountain	38,744	37,421	−1,323	3.6
Pacific	39,475	34,005	−5,470	3.3
United States	1,058,670	1,027,626	−31,044	100.0

[1] Includes the Federal land banks and the Federal Farm Mortgage Corporation, the joint-stock land banks, insured commercial banks, life insurance companies and 3 State credit agencies of Minnesota, North Dakota, and South Dakota.

holdings decreased. It was not until 1937, *however, that total investment* in such holdings actually began to show a reduction.

THE largest part of these farm real estate holdings is held by life insurance companies. Their investment in such farm lands amounted to $705,207,000 as of January 1, 1938, compared with $713,166,000 a year earlier and $88,305,000 at the beginning of 1929. During this 9-year period, Federal land bank and Federal Farm-Mortgage Corporation holdings *increased from $26,478,000 in 1929 to* $134,754,000 at the beginning of 1937 and on January 1, 1938 had decreased slightly to $132,038,000.

Joint-stock land banks (in liquidation since 1933) increased their holdings from $15,236,000 at the beginning of 1929 to a peak of $85,740,000 at the beginning of 1934. Since that time such holdings have been decreased to $62,030,000, as of January 1, 1938.

Farm real estate holdings of three State credit agencies, all of which are in the process of liquidation have shown a continuous increase from $19,540,000 at the beginning of 1929 to $72,040,000 at the beginning of 1938. The investment in farm real estate of insured commercial banks decreased from $69,525,000 at the beginning of 1937 to $56,311,000 at the beginning of 1938.

The combined farm real estate holdings of all of these agencies decreased during 1937 in all geographic divisions *except in the West North Central* States where such holdings increased from $643,464,000 to $667,011,000. The largest decrease in total investment in acquired farms occurred in the East South Central, East North Central, West South Central, and South Atlantic States, in the order named.

NORMAN J. WALL.

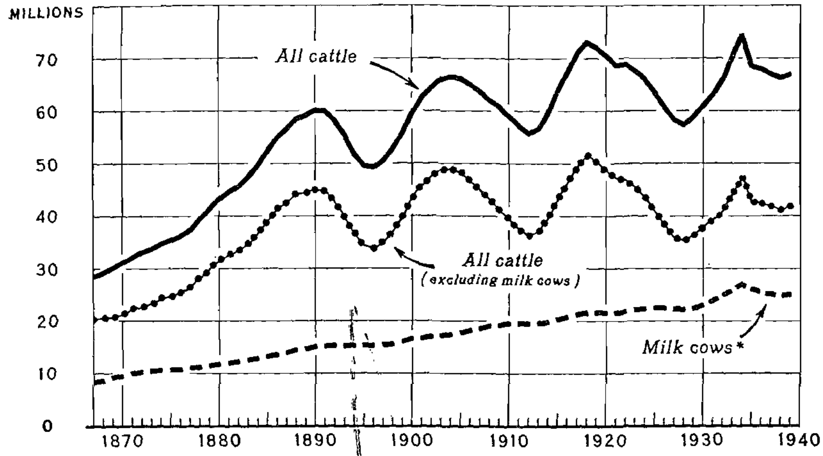
Regional Trends in Number of Cattle

> The soil conservation and acreage control programs of the Agricultural Adjustment Administration tend to cause a shift of crop land acreage from grain and fiber crops to pasture and hay. There has been and doubtless will continue to be, considerable discussion as to the probable effects of such a shift on trends in livestock numbers in different regions. Since cattle are the most important utilizers of hay and pastures much of the discussion has been concerned with the possible effects of increased acreage of pasture and hay on trends in cattle numbers in different regions.
>
> This article shows what these trends have been in the past and and how the present regional totals of cattle numbers compare with those of other years.—Ed.

THE *general trend of cattle numbers* in the United States has been upward for many years but with fairly regular cyclical movements of increasing and decreasing numbers. When cattle are separated as between milk cows and other cattle it is evident that the upward trend in all cattle has been a result of the fairly constant increase in numbers of milk cows, that the trend of numbers of other cattle has been downward for the last 20 years, and that all of the cyclical changes in cattle numbers have been in the number of cattle other than milk cows.

Although "other" cattle include heifers and heifer calves being left for milk cows, the numbers of these have tended to follow rather closely the steady upward trend of milk cow numbers and the cyclical change in numbers of all cattle has been caused largely by changes in number of cattle kept mainly for beef. The different trends are shown in the accompanying chart which gives the estimates of United States numbers of all cattle, of milk cows and of "other" cattle on farms January 1 from 1867 to 1939.

ALL CATTLE: NUMBER ON FARMS JANUARY 1, UNITED STATES, 1867-1939



*COWS AND HEIFERS 2 YEARS OLD AND OVER KEPT FOR MILK
DATA FOR 1939 ARE PRELIMINARY

BREAKING down these United States totals by regions it is apparent there have been rather marked differences in the trends of cattle numbers by regions. The following table covering numbers of all cattle, milk cows and other cattle shows these regional differences. For each region

Cattle, Milk Cows, and Cattle Other Than Milk Cows on Farms January 1

[000's omitted]

	North Atlantic	East North Central	South Atlantic	East South Central	West North Central	West South Central	Western	East of Mississippi River	West of Mississippi River	United States
All cattle										
Peak years	1880 6,500	1939 11,376	1920 4,943	1935 4,971	1934 22,938	1934 13,510	1918 13,846	1939 25,770	1934 48,719	1934 74,262
1918	5,139	10,949	4,872	4,551	21,449	12,279	13,846	25,511	47,574	73,040
1928	4,383	9,161	3,772	3,649	17,055	9,249	10,053	20,965	36,357	57,322
1934	4,879	11,101	4,732	4,831	22,938	13,510	12,271	25,543	48,719	74,262
1938	4,962	11,133	4,517	4,566	18,409	11,535	10,961	25,178	40,905	66,083
1939	5,050	11,376	4,664	4,680	18,856	11,353	10,842	25,770	41,051	66,821
Milk cows										
Peak years	1905 3,568	1934 6,247	1935 2,008	1935 2,258	1934 7,763	1934 3,125	1934 2,341	1934 13,702	1934 13,229	1934 26,931
1918	3,378	5,232	1,740	1,715	5,533	2,195	1,743	12,065	9,471	21,536
1928	2,993	5,292	1,652	1,717	6,216	2,348	2,013	11,654	10,577	22,231
1934	3,256	6,247	1,982	2,217	7,763	3,125	2,341	13,702	13,229	26,431
1938	3,233	5,976	1,920	2,080	6,550	2,925	2,150	13,215	11,687	24,902
1939	3,286	6,037	1,965	2,094	6,584	2,958	2,169	13,382	11,711	25,093
Cattle other than milk cows										
Peak years	1880 3,275	1889 6,279	1919 3,199	1919 2,897	1918 15,916	1902 11,891	1918 12,103	1889 14,777	1918 38,103	1918 51,504
1918	1,761	5,717	3,132	2,836	15,916	10 084	12,103	13,446	38,103	51,504
1928	1,390	3,869	2,120	1,932	10,839	6,901	8,040	9,311	25,780	35,091
1934	1,623	4,854	2,750	2,614	15,175	10,385	9,930	11,841	35,490	47,331
1938	1,712	5,149	2,580	2,486	11,975	8,610	8,516	11,963	29,218	41,181
1939	1,764	5,339	2,699	2,583	12,272	7,395	8,673	12,388	29,340	41,728

February, and in the absence of any statistical evidence that the decline in productive activity had yet ended, it seems probable that the recession, which first made an appearance about mid-December, continued into the present month. Though the relapse has been moderate, as compared with the strong upward surge which characterized the last half of 1938, it has been sufficient to bring a halt to the increase in national income and purchasing power.

Absence of continued immediate improvement in nonagricultural income and buying power is an adverse factor in the agricultural picture. The burdensome supply of farm commodities permitted but scant reflection in the farm price index of the better trend of urban buying power during the last half of 1938, and the present relapse has been accompanied by the entire loss of these small price gains.

P. H. BOLLINGER.

Regulating the Merchant Trucker

THE merchant trucker has become the object of an increasing volume of State and municipal laws and ordinances in recent years. Analysis of these laws and regulations, as a part of a larger study of interstate trade barriers[1] by the Bureau of Agricultural Economics, reveals that some of them tend not merely to regulate but to hamper and restrict his operations, in local as well as in interstate commerce. Many of the regulations are drawn in such a way as to favor local producers over more distant producers, or in-State producers over out-of-State producers. In a few cases there is outright discrimination against the out-of-State merchant trucker.

Most of the State and municipal laws and ordinances regulating the merchant trucker or itinerant merchant define him as a person having no fixed and permanent place of business in the town or other place where he wishes to sell. This definition thus includes both farmers who bring their own produce to market and merchants who make a business of buying farm products and transporting these to market for sale. However, most of the regulatory laws and ordinances expressly exempt farmers who sell their own produce.

The "merchant trucker" has become an increasingly important part of the modern machinery of food distribution. He buys fresh products direct from the farms and sells wherever he can find a buyer or buyers. He crosses and re-crosses State lines and, to the extent that he buys in one State and sells in another, he is a factor in interstate trade. As such, he is of concern to all those interested in the free flow of commerce between the States, unhampered by legislative or administrative barriers. The accompanying article gives the results of a study of State and municipal laws and ordinances affecting the "merchant trucker".—Ed.

SEVERAL States require merchant truckers to take out a license to do business within the State and to post a bond. In some States the license fee and the amount of the bond are relatively moderate. In Nebraska the merchant trucker must pay $25 for an annual license, plus $10 occupational tax, and must file an indemnity bond of $250. It is reported that the legislatures of several Midwestern States are considering enactment in their 1939 sessions of bills similar to the Nebraska law.

In other States, the fees and bonds are much higher. In Montana, for

[1] "Barriers to Interstate Trade," July 1938 issue "The Agricultural Situation"; "Trade Barriers in the Dairy Industry," August 1938 issue; "Grade and Label Barriers," September 1938 issue.

example,[*] the annual license to do business as a merchant trucker costs $100 (plus $50 for each additional truck), and a bond of at least $1,000 must be posted. In most States requiring licenses, the entire amount of the annual fee must be paid whether or not the trucker does a year-round business. This is a deterrent upon individuals desiring to do merchant trucking only a few weeks in the year, as for instance during the harvest season of a particular fruit or vegetable.

Some States require merchant truckers to pay an annual license fee in each county in which they operate. In West Virginia this fee amounts to $15 for a truck of not over one-half ton capacity but is sharply graduated, so that $250 must be paid in each county in which a truck between 3 and 4 tons in capacity is to be operated. In Idaho and Washington the merchant trucker must pay $300 in each county and in addition deposit $500 in cash with the county treasurer.

Many cities impose high annual license fees upon merchant truckers, without providing for short-time licenses. Annual license rates of from $25 to $100 are common, but rates of $200 or even higher are assessed. Denver, Omaha, Pittsburgh, Mobile, Baltimore, Cleveland, and St. Louis are among those fixing the rate at $200. In Louisville, Ky., the annual fee is $250, and in Fort Wayne, Ind., it is $300. Many cities also require the posting of bonds. Pittsburgh and St. Louis for example, require a $1,000 bond.

In some cities the amount of the annual license fee required of merchant truckers is twice or more than twice that required of established merchants. In Mobile, established dealers must pay $67.50 or $92.50, depending upon their class, whereas merchant truckers must pay $200. In Louisville, the rates are $100 for an established dealer and $250 for a merchant trucker.

MANY regulations of merchant truckers are drawn in such a way as to favor local producers over more distant producers, or in-State producers over out-of-State producers. The protectionist effect of these measures would be condemned by most economists as a factor tending to break down the economic unity of the Nation. The study reveals in this connection that farmers selling their own produce are exempted from the requirements of most of these State laws and municipal regulations.

One effect of this exemption is to favor nearby growers as opposed to those located farther from the market. In a study made about 10 years ago, it was found that most farmers who were more than 20 or 30 miles from market and who sent their produce to market by truck preferred to hire a truck or sell to a merchant trucker, rather than to carry it themselves.

A recent instance is cited in a letter from an official in North Carolina: "In Henderson County [North Carolina] a few years ago," he wrote "every person taking his produce to certain South Carolina towns would have to have a certificate from the Register of Deeds stating that the produce offered for sale was produced on the bearer's individual farm and that he was not selling anyone's produce except that which he had grown. This regulation was harmful to the producers in Henderson County for the simple reason that few of the growers produced in large enough quantities to own trucks to transport their material which could have been more easily handled by regular truckers, taking a load of produce from Henderson County to South Carolina and in turn bringing back products from that State to sell at the point from which they originally started."

Local producers often are given other advantages. Many farmers' markets exclude merchant truckers. In the Los Angeles City market, for example, preference in the assignment of stalls is given to local farmers and growers. In the farmers' section of the regional market at Syracuse, N. Y., the "trucker-dealer" may operate only if he sells produce grown in

New York State. In the Marsh Market in Baltimore the merchant-trucker selling out-of-State produce must have a special license at a cost of $200 annually.

Most of the dealers in the Northern Ohio Food Terminal, Cleveland's centralized produce market, pledged themselves a few months ago not to receive truck shipments of fruits and vegetables originating outside of the State. In Indiana a law requires "traveling merchants * * * who are not residents of this State" and who "vend foreign merchandise" to pay a special license fee in each county in which they operate.

TO call attention to these examples of laws and regulations that place hindrances in the way of interstate and even intrastate trade is not to suggest the abandonment of all regulation of merchant truckers. The special characteristics of merchant trucking, such as the large number of independent operating units, the almost unlimited number of possible routes over which they may operate, and the unpredictability of their schedules, present special problems of regulation. There is also the problem of equitable taxation as among the various types of transportation—by rail, by motortruck, and by boat.

Dealing with one small sector of the problem of regulating merchant truckers—the question of the amount of the fees that should be charged merchant truckers for the use of market facilities—the Bureau of Agricultural Economics offers the following suggestions:

(1) Merchant-truckers should be charged a rental for the facilities provided for *them sufficient* to pay the cost of those facilities. In computing this, allowance should be made for the administrative overhead of the market and for the fact that the facilities will be partially empty during a part of the year, if ample space is to be provided for the peak season.

(2) Fees for the privilege of doing business and occupational taxes should be set at such levels that the per diem amount will be the same or virtually the same for the merchant-trucker as for the established merchant who does about the same *daily* volume of business.

(3) Merchant-truckers should be given their choice of paying rentals, fees, and taxes on a daily, weekly, monthly, quarterly, or annual basis, in order that they may take full advantage of the flexibility of action and the flexibility of schedule that the motortruck makes possible. At the same time, payments on a daily basis should include a sum sufficient to pay for any additional costs of collection made necessary by daily collection; and the same rule should be applied to weekly, monthly, or quarterly payments.

E. L. BURTIS.

Our Changing Tobacco Exports

LEAF tobacco always has been one of our important farm exports. Both the volume and value of exports have increased through the decades, and in recent years have held up relatively better than the export trade in other agricultural products. Domestic exports of leaf tobacco during the year ended June 30, 1938 totaled approximately 460 million pounds valued at 149 million dollars.

The quantity of tobacco exported during the last year of record was the largest since 1933–34, and the value was the largest since 1929–30. Volume and value were only slightly less than the 1920–29 average. In contrast, the volume of 44 agricultural exports was down about 30 percent during this period, and the total value of exports of farm products was down more than 50 percent.

The following table gives the exports by 10-year averages from 1790–99 to

Total Domestic Agricultural Exports, and Domestic Tobacco Exports From the United States, 10-Year Averages 1800–1929, Annual 1930–37

Year beginning July [1]	Total domestic agricultural exports		Domestic tobacco exports			
	Value	Index of quantity [2]	Quantity	Value	Part of total agricultural exports	Index of quantity [3]
	Million dollars		*Million pounds*	*Million dollars*	*Percent*	
1790–99	----	----	78	[4] 3	----	----
1800–09	[5] 28	----	72	[6] 5	17.9	----
1810–19	40	----	54	6	15.0	----
1820–29	43	----	82	6	14.0	----
1830–39	74	----	97	7	9.5	----
1840–49	91	----	137	8	8.8	----
1850–59	190	----	147	14	7.4	----
1860–69	182	----	163	22	12.1	----
1870–79	453	----	253	24	5.3	----
1880–89	574	----	246	21	3.7	----
1890–99	703	----	286	24	3.4	----
1900–09	918	----	326	32	3.5	----
1910–19	1,897	118	437	88	4.6	111
1920–29	1,942	117	516	158	8.1	132
1930	1,038	90	591	142	13.7	150
1931	752	98	432	86	11.4	110
1932	590	85	400	63	10.7	102
1933	787	83	473	100	12.7	120
1934	669	54	375	121	18.1	95
1935	766	62	433	141	18.4	110
1936	732	56	417	130	17.8	106
1937 [7]	891	79	460	149	16.7	117

[1] Prior to July 1843, data are for year beginning October. Average 1840–49 includes 9 months, only, for 1842.
[2] Quantities of 44 principal agricultural products; 1909–10 to 1913–14=100.
[3] 1909–10 to 1913–14=100. [4] 1-year only. [5] 8-year average. [6] 9-year average. [7] Preliminary.

1920–29 and annually since 1930, shows how tobacco exports were a diminished proportion of total agricultural exports for 50 years prior to the World War (a period during which exports of cotton, wheat, and livestock products greatly increased), and how shipments of tobacco during the current decade have come to represent the largest proportion of total farm exports in over a century and a half.

OF interest also are the recent shifts as between foreign countries in the demand for American tobacco, changes in foreign production, and shifts in preferences for the different types of leaf. These and other developments suggest that although United States tobacco exports are unlikely to increase much in coming years exports of flue-cured tobacco undoubtedly will continue as the predominant export type and may come to represent an even larger proportion of total shipments.

Official data on exports by types are not available previous to 1923, but fairly reliable estimates of exports are available from unofficial sources. In the period just before the World War, shipments of dark-fired tobacco are believed to have averaged about 200 million pounds. Exports of dark air-cured probably totaled about 30 million pounds. Exports of dark types as a whole accounted for approximately 60 percent of all tobacco exports. Exports of flue-cured averaged 100 million pounds or less, and shipments of Maryland ranged around 20 to 25 million pounds.

During the last few years the relative importance of the different classes and types in the export trade has been almost the reverse of 25 or 30 years ago. In the 5-year period ended 1937 more than 312 million pounds of flue-cured were exported or between 3 and 4 times the exports in the period immediately preceding the World War. Flue-cured accounted for more than 75 percent of total tobacco exports. Exports of fire-cured and dark air-cured on the other hand, were approximately 66 million pounds and 11 million pounds, respectively, or about one-third of the

pre-war level. Maryland also had declined as an export type, shipments to foreign markets averaging only about 5,500,000 pounds.

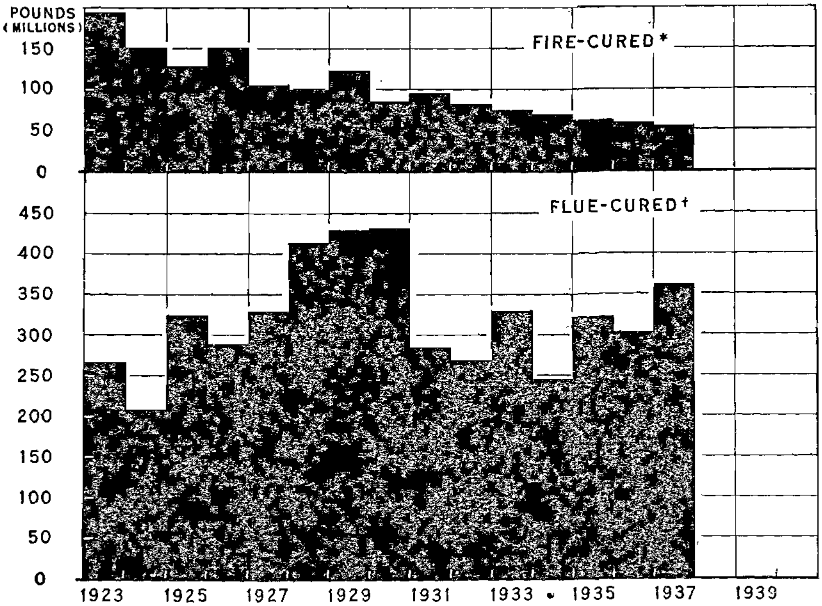
Flue-cured tobacco is exported principally to England and to the Orient for use in the making of cigarettes and smoking mixtures, particularly cigarettes. Dark fired, marketed mainly in Europe, is used in the manufacture of snuff, Italian-type cigars, and dark smoking mixtures. Dark air-cured is exported to Europe, and to the West Indies and Africa in rehandled form.[5] The small quantities of Burley and Maryland go principally to Europe for use in cigarettes and smoking mixtures.

DATA on the consumption of tobacco products outside the United States are incomplete. It is probable, however, that total foreign consumption of leaf tobacco increased during the post-war period up to 1929 to a level considerably above the levels prevailing during and immediately preceding the War. Utilization declined somewhat during the years of deepest depression but has resumed its upward trend during the last few years, and in 1937 and 1938 probably was above 1929. Nevertheless, the exports of American tobacco in 1937 and 1938 were smaller than in 1929.

The reduced proportion that American tobacco is of the total foreign consumption of all tobacco is attributable largely to foreign regulation and control measures associated with economic nationalism during the last 10 years. These measures have encouraged the production of tobacco in importing and exporting countries outside the United States. In the countries of continental Europe, exchange restrictions, bilateral trade arrangements, the payment of higher prices for domestic leaf than the prices of comparable grades in the world market, and other forms of discrimination have greatly increased the production and consumption of non-American tobacco.

[5] Known as Black Fat and Dark African, leaf treated with mineral oil and packed under heavy pressure.

TOBACCO: EXPORTS OF FIRE-CURED AND FLUE-CURED, 1923-37



* YEAR BEGINNING OCTOBER
† YEAR BEGINNING JULY

The United Kingdom, most important foreign market for United States leaf, produces no tobacco but large quantities are grown within the British Empire. Empire tobacco was granted a tariff preference in 1919, and since 1925 this has been the equivalent of about 50 cents per pound. This substantial preference has given considerable encouragement to the production of those types of leaf which are suitable to the requirements of the British market. In 1919 about 1 percent of total British tobacco consumption was accounted for by tobacco from Empire sources. Since then, however, utilization has shown a decided upward trend and during the last 4 or 5 years has represented between 20 and 25 percent of total consumption.

These measures of economic nationalism have been encouraging the foreign production of dark types and correspondingly reducing the demand for United States leaf throughout the post-war period. Prior to 1923, Italy imported annually between 30 and 40 million pounds of American fire-cured. In the last year or two Italian imports of American leaf have been less than 1 million pounds. The Italian crop of fire-cured which just before the War and for 2 or 3 years thereafter averaged about 15 million pounds, has ranged from more than 40 million to approximately 70 million pounds in the last 10 or 12 years. Production of dark air-cured types in Germany, France, and Spain and in British and French Colonies has increased significantly during the last 10 or 15 years. Trade barriers and larger supplies of low priced substitute tobaccos also have contributed to the downward trend in United States exports of Maryland leaf.

TRENDS in foreign consumption also have been greatly different for the various tobacco products and kinds of leaf. During the period since the World War there has been a world-wide shift in consumer preference away from chewing tobacco, snuff, dark smoking mixtures, and other products made largely from dark leaf. This long continued and fundamental change in consumer preference has been an important additional factor responsible for the decline in exports of dark types of tobacco from the United States.

In contrast, there has been a decided increase in the utilization of cigarettes. Sharp increases have occurred in cigarette consumption in all parts of the world. This has represented primarily an expansion in the demand for flue-cured tobacco, and was a major factor in the growth of flue-cured exports from the United States up until 1929.

American producers of flue-cured tobacco have continued to benefit from this increasing foreign demand for cigarettes during the last few years, but rapidly expanding production of flue-cured leaf in foreign countries has diminished the share of total foreign consumption represented by American grown tobacco. Crops in the principal foreign producing countries in 1937–38 were about 3 times the output in 1930–31.

Until 1934–35 shipments of flue-cured tobacco to China ranged from 100 million to 150 million pounds per year, but have averaged less than 50 million in the last 3 or 4 seasons. Cigarette consumption in China has increased considerably, but the growth in Chinese domestic production of flue-cured leaf has been even more rapid. Exports to the United Kingdom have shown an upward trend since 1933–34 and reached a record high of more than 237 million pounds in 1937–38 but this increase was possible only because of the rapid growth in total British consumption of cigarettes. The share of total British utilization of flue-cured represented by leaf from the United States has declined due to the rapid growth in production of this kind of tobacco in Canada, India, and Rhodesia under the stimulus of the British preferential tariff on Empire leaf.

B. S. WHITE, JR.

General Trend of Prices and Wages

[1910-14=100]

Year and month	Wholesale prices of all commodities [1]	Industrial wages [2]	Prices paid by farmers for commodities used in [3]—			Farm wages	Taxes [4]
			Living	Production	Living and production		
1920	225	222	222	174	201	242	209
1921	142	203	161	141	152	155	223
1922	141	197	156	139	149	151	224
1923	147	214	160	141	152	169	228
1924	143	218	159	143	152	173	228
1925	151	223	164	147	157	176	232
1926	146	229	162	146	155	179	232
1927	139	231	159	145	153	179	238
1928	141	232	160	148	155	179	239
1929	139	236	158	147	153	180	241
1930	126	227	148	140	145	167	238
1931	107	208	126	122	124	130	217
1932	95	179	108	107	107	96	188
1933	96	172	109	108	109	85	161
1934	109	183	122	125	123	95	153
1935	117	192	124	126	125	103	155
1936	118	200	122	126	124	111	156
1937	126	215	128	135	130	126	161
1938	115	207	122	124	122	124	----------
1938—February	116	207	----------	----------	126	----------	----------
March	116	208	123	128	125	----------	----------
April	115	204	----------	----------	125	121	----------
May	114	201	----------	----------	125	----------	----------
June	114	202	122	126	124	----------	----------
July	115	205	----------	----------	123	129	----------
August	114	209	----------	----------	122	----------	----------
September	114	214	121	122	121	----------	----------
October	113	212	----------	----------	121	126	----------
November	113	207	----------	----------	121	----------	----------
December	112	212	----------	----------	120	----------	----------
1939—January	112	211	----------	----------	[5] 120	117	----------

Year and month	Index of prices received by farmers [August 1909-July 1914=100]								Ratio of prices received to prices paid
	Grains	Cotton and cottonseed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1920	232	248	191	--------	174	198	223	211	105
1921	112	101	157	--------	109	156	162	125	82
1922	106	156	174	--------	114	143	141	132	89
1923	113	216	137	--------	107	159	146	142	93
1924	129	212	125	150	110	149	149	143	94
1925	157	177	172	153	140	153	163	156	99
1926	131	122	138	143	147	152	159	145	94
1927	128	128	144	121	140	155	144	139	91
1928	130	152	176	159	151	158	153	149	96
1929	120	144	141	149	156	157	162	146	95
1930	100	102	162	140	133	137	129	126	87
1931	63	63	98	117	92	108	100	87	70
1932	44	47	82	102	63	83	82	65	61
1933	62	64	74	105	60	82	75	70	64
1934	93	99	100	103	68	95	89	90	73
1935	103	101	91	125	118	108	117	108	86
1936	108	100	100	111	121	119	115	114	92
1937	126	95	122	123	132	124	111	121	93
1938	74	70	73	101	114	109	108	95	[5] 78
1938—February	89	68	68	111	110	121	94	97	77
March	85	70	69	101	117	117	93	96	77
April	82	71	68	98	114	110	93	94	75
May	79	71	77	88	111	103	98	92	74
June	77	68	73	92	116	98	99	92	74
July	72	71	79	99	123	101	103	95	77
August	62	69	78	92	115	102	105	92	75
September	63	69	75	107	117	104	118	95	79
October	60	72	70	107	111	107	124	95	79
November	60	73	71	102	111	109	131	94	78
December	63	70	73	108	109	112	127	96	[5] 80
1939—January	66	71	76	96	112	109	97	94	[5] 78
February	66	70	78	108	116	107	91	92	[5] 77

[1] Bureau of Labor Statistics Index with 1926=100, divided by its 1910-14 average of 68.5.
[2] Average weekly earnings, New York State factories. June 1914=100.
[3] These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.
[4] Index of farm real estate taxes, per acre, 1913=100.
[5] Preliminary.

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